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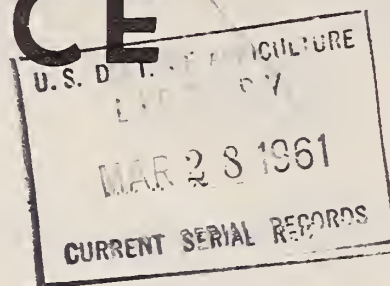
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The DEMAND and PRICE SITUATION

DPS-57



Approved by the Outlook and Situation Board, September 18, 1959
SUMMARY

Although the work stoppage in steel and its attendant disruptions to economic activity have brought some reductions in industrial production, employment and consumer incomes, these economic indicators continue substantially above a year earlier. Consumer markets remain strong and relatively unaffected, with sales of new automobiles in August, up about 50 percent from a year earlier. Furthermore, business intentions to invest in new plant and equipment are again being revised upward. The latest survey conducted by the U. S. Department of Commerce and the Securities and Exchange Commission now indicates that business intends to spend 18 percent more in the fourth quarter for new plant and equipment than in the fourth quarter of 1958.

The September Crop Report indicates that crop output this year totals only a shade under the record of 1958. The wheat crop is almost a fourth smaller but the corn crop was estimated at almost 4.4 billion bushels, about 600 million bushels above last year's record. Even with smaller crops of oats, barley and grain sorghums, feed grain production in total is estimated some 6 percent larger than a year ago. The cotton crop is also substantially larger

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958		1959			
		Year	Aug.	May	June	July	Aug.
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	134	136	153	155	153	149
All manufactures	do.	136	138	156	158	157	152
Durable goods	do.	141	144	169	172	168	159
Non-durable goods	do.	130	133	144	144	146	146
Minerals	do.	117	120	126	125	120	119
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,980	4,042	4,670	4,662	4,625	4,571
Public construction	Mil. dol.	15,033	1,253	1,370	1,392	1,378	1,368
Private residential	Mil. dol.	17,884	1,500	1,981	1,922	1,882	1,829
Housing starts	Thousands	1,209	1,228	1,370	1,368	1,350	1,340
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	26,246	26,388	30,742	31,248	30,712	
Durable goods	Mil. dol.	12,402	12,385	15,515	15,771	15,363	
Unfilled orders-sales ratio <u>5/</u>		3.57	3.55	3.01	2.98	3.08	
Inventory-sales ratio <u>6/</u>		1.93	1.87	1.68	1.67	1.70	
Durable goods		2.32	2.27	1.92	1.92	1.97	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	64.0	65.4	66.0	67.3	67.6	67.2
Nonagricultural	do.	58.1	58.7	59.6	60.1	60.8	60.9
Unemployment	do.	4.7	4.7	3.4	4.0	3.7	3.4
Workweek in manufacturing	Hours	39.2	39.6	40.5	40.7	40.3	40.5
Hourly earnings in manufacturing	Dollars	2.13	2.13	2.23	2.24	2.23	2.19
Income and spending:							
Personal income payments <u>2/</u> <u>3/</u>	Bil. dol.	359.0	362.4	381.3	383.8	384.0	381.4
Consumer credit outstanding <u>1/</u>	Mil. dol.	45,065	43,128	45,790	46,716	47,256	
Automobile	Mil. dol.	14,131	14,514	14,991	15,419	15,780	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,682	16,859	18,223	18,189	18,318	18,110
Durable goods	Mil. dol.	5,284	5,214	6,100	6,162	6,155	6,062
Inventory-sales ratio <u>6/</u>		1.44	1.42	1.35	1.36	1.37	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	119	119	120	120	120	119
Commodities other than farm and food	do.	126	126	128	128	128	128
Farm products	do.	95	93	91	90	88	87
Foods processed	do.	111	111	108	108	108	106
Consumer price index, all items <u>4/</u>	1947-49=100	124	124	124	124	125	
Food	do.	120	121	118	119	119	
Prices received by farmers <u>8/</u>	1910-14=100	250	248	245	242	240	239
Crops	do.	223	221	230	229	226	221
Livestock and products	do.	273	272	258	252	252	254
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	293	293	299	298	298	297
Family living items	do.	287	287	288	288	289	288
Production items	do.	264	264	268	267	266	266
Parity ratio <u>8/</u>		85	85	82	81	81	80
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	125	127	99	108	121	118
Cash receipts from farm marketings	Mil. dol.	33,560	2,789	2,180	2,308	2,582	2,578

Annual data for most of these items for the years 1929 and 1939-58 appear on page 35 of the April 1959 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, September 18, 1959

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than in 1958. With production of livestock and livestock products running above a year ago, total farm output of both crops and livestock this year is expected to be slightly larger than in 1958 and some 25 percent above the 1947-49 average.

Meantime, prices received by farmers have eased off slightly this summer and in mid-August averaged nearly 4 percent below August 1958. Prices paid by farmers, including interest, taxes and farm wage rates, have also shown a slight overall reduction in recent months, primarily due to lower prices paid by farmers for feeder livestock and for feed. Nevertheless, the average in mid-August was still slightly higher than a year earlier.

Cash receipts from farm marketings in the first 8 months of 1959 totaled some 2 percent less than in the same period of 1958, primarily due to somewhat lower prices of farm products. In addition, higher production costs and a reduction in Soil Bank payments to farmers as a result of the termination of the Acreage Reserve Program were reflected in an annual rate of realized net farm income during the first 3 quarters of \$11.5 billion, compared with 13.1 in the same period of 1958. A substantial part of the reductions occurred in the third quarter when this year's much smaller crops of wheat and small feed grains were being marketed heavily. In the fourth quarter, the much larger crops of cotton and corn will be moving to market in volume.

Commodity Highlights

Seasonal weakness in stocker and feeder cattle prices is expected this fall, while the seasonal price decline for hogs probably will be less than usual. The September Pig Crop Report indicates that producers in 10 Corn Belt States plan a 4 percent decrease in December-February farrowings.

Mid-August egg prices averaged about 6.0 cents above the springtime low, but 6.8 cents below prices in August 1958. Since mid-August, the trend of most egg prices has been upward.

Record large supplies of edible fats, oils and oilseeds now appear certain for the marketing year beginning October 1.

Prices of corn and sorghum grains are expected to decline seasonally this fall and oat prices probably will continue to be relatively higher than those of other grains through the 1959-60 marketing year.

Fresh market grower prices for most deciduous fruit probably will remain below last year's prices during the early fall.

Prices received by growers for fresh market vegetables this fall are likely to average somewhat above the levels of a year earlier if supplies are down materially as now indicated.

An increased cotton crop primarily is responsible for the 17 percent increase over last year in the total supply. The estimated 23.7 million bales for 1959-60 is the largest supply since 1956-57, but disappearance may well increase as much as supply.

Opening prices on the Australian wool auctions were slightly higher than those expected by the wool trade; and if these auctions hold firm, prices in other world markets may be expected to advance above those of the last few months.

Exports of tobacco are expected to increase seasonally during the next few months because of the large volume of new crop flue-cured tobacco shipments.

GENERAL BUSINESS CONDITIONS

Economic activity has tended to level out in the current quarter as a result of the direct and indirect effects of the steel strike. Consumer incomes, retail sales, employment and factory production eased in August.

Consumer Income and SpendingConsumer Income
Off Slightly

After advancing since April 1958, personal income dropped \$2.6 billion in August to an annual rate of \$381.4 billion. The dip is attributable mostly to the effects of the steel strike on payrolls in the primary metals, mining and transportation industries. Wage and salary disbursements in distribution, service, construction activities and Government, as well as proprietor's income, interest and dividends, continued to trend upward. Total transfer payments, after holding steady the last three months, rose to a seasonally adjusted rate of \$26.6 billion, compared with \$26.3 billion in July. This \$0.3 billion increase reflects primarily a rise in social insurance benefits paid to unemployed persons in steel and related industries.

Retail Trade Declines
In August

Total retail sales during August amounted to an estimated \$18.1 billion, adjusted for seasonal factors and trading day differences, down from the July record of \$18.3 billion but nearly 7½ percent above August 1958. Both durable and nondurable retail sales were down a little from July. Small declines were widespread among the various groups, but, dealer's sales of new automobiles amounting to 485,000 units in August were 7 percent more than July and about the same in August 1955. Department store sales also rose in August and reached a new high of 150 percent of the 1947-49 average, compared with 149 in July and 147 last August.

Cost of Family Living
Items Down Slightly

In August the index of prices paid by farmers for family living items, at 288 (1910-14=100), was down a point from the July record. Lower food and building material prices were partially offset by rising costs of clothing, household expenses and auto supplies.

Prices of urban consumer goods and services began a slow advance in April and in July reached a new record of 124.9 (1947-49=100). The index was stable in late 1958 and early 1959, as declining prices for foods were offset by continued increases for other groups. Food prices turned upward in May and other groups continued to rise. However, food prices in July were about 2 percent below a year ago.

In the past year costs of medical care and transportation have increased more than 4 percent. Rent, household operations and other services have continued to trend upward and nondurable goods other than food have risen moderately.

Prices of new cars have declined seasonally in recent months but are still 5 percent above July 1958. The demand for used cars has been particularly strong and prices have increased by about a seventh in the last 12 months. Changes in prices of other durable goods have been very small.

Investment Demand

U. S. business firms are planning to increase expenditures for plant and equipment in the fourth quarter to an annual rate of \$35.3 billion, compared with an estimated \$34.2 billion in the third quarter, according to a survey conducted in July and early August by the Department of Commerce and the Securities and Exchange Commission. If these expectations materialize, spending in the current year will reach an annual rate of \$33.3 billion, about 9 percent above the \$30.5 billion in 1958. However, existing plant capacity in a wide range of industries will keep outlays well below the record \$37.0 billion invested in 1957. Actual outlays in the first and second quarters of this year were at an annual rate of \$30.6 billion and \$32.5 billion, respectively, (Table 1).

More than a third of the planned outlays for plant and equipment is concentrated in the manufacturing group, although all major industry groups except public utilities anticipate that their expenditures in 1959 will be

Table 1.--Expenditures for new plant and equipment by U. S. business for 1958-59 and by quarters seasonally adjusted at annual rates

Item	1958	1959 1/	1958	1959				
			Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept. 1/	Oct.- Dec. 1/	
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	
Manufacturing	11.43	12.44	10.58	11.20	11.80	12.81	13.72	
Durable goods	5.47	6.02	4.86	5.26	5.74	6.28	6.65	
Nondurable goods	5.96	6.42	5.72	5.94	6.06	6.53	7.07	
Mining	.94	1.00	.97	.95	.94	1.04	1.06	
Railroad	.75	1.03	.58	.63	1.00	1.41	1.12	
Transportation other: than rail	1.50	2.02	1.62	1.71	2.08	2.19	2.12	
Public utilities	6.09	5.84	6.26	5.80	5.82	5.80	5.93	
Commercial and other:	9.81	10.92	9.96	10.33	10.87	11.04	11.39	
Total	30.53	33.26	29.97	30.62	32.51	34.29	35.34	

1/ Estimates are based on anticipated expenditures reported by business in late July and August 1959.

Securities and Exchange Commission and U. S. Department of Commerce.

substantially above those in 1958. In 1959, stone, clay and glass products, motor vehicles, machinery and transportation equipment categories are expected to show the largest increases in the durable manufacturing group while the greatest gains among the nondurables probably will be in the textile mill, paper, petroleum, rubber and food groups. Among other industries, particularly heavy outlays are indicated for railroad and other transportation companies. The other than rail group expects to increase outlays almost \$500 million or 35 percent over 1958. To a great extent, this rise reflects expenditures for jet aircraft already programmed by many commercial airlines.

As in the recovery phase of previous business cycles, heavy business expenditures mirror general confidence for continued expansion in the demand for industrial products. Furthermore, trade reports indicate that business anticipates a further rise in sales in the coming months.

Inventory Rise Slackens In July

The total value of manufacturing and trade inventories held in July amounted to \$89.8 billion, seasonally adjusted, compared with \$85.9 billion in July 1958. Inventories edged up by \$500 million from June, primarily because the material increase in automobiles on hand and some gains in other durable manufacturing offset reduced steel inventories caused by the mid-July shutdown. However, July inventory figures do not fully reflect the impact of the strike because additions to steel inventories in preparation for the stoppage continued through the middle of the month. Within other groups, inventory liquidation occurred in transportation, while stocks of non-durable goods remained virtually stable. The inventory changes in August will be influenced by a further reduction of steel stocks, along with a substantial reduction in dealer stocks of new cars of over 250,000 units.

Manufacturers' Sales Dip in July

Factory sales, after reaching new highs prior to the steel strike and vacation season, fell from \$31.2 billion in June to \$30.8 billion in July. The drop was concentrated in the durable goods sector, principally because of reduced sales of primary metals. In July, the inventory-sales ratio was 1.70, approximately the same as in the three preceding months. Throughout the year, additions to inventories have lagged behind the advance in sales and the ratio has remained below prerecession averages.

New orders to manufacturers, seasonally adjusted, also came in less rapidly in July. The total of \$30.9 billion was \$0.5 billion below June, reflecting a decline in primary metals and to a lesser extent reductions in new orders to electrical machinery and transportation equipment producers. Other industries reported a \$180 million increase in new orders during July. A rise in unfilled orders was mainly attributable to an increased backlog in orders of machinery producers.

Construction Rises Seasonally

The value of new construction put in place this year amounted to \$36.9 billion, seasonally adjusted through August, approximately 16 percent above the \$31.9 billion registered during the comparable period in 1958. Total construction activity in August remained at the record July level of about \$4.6 billion. Residential construction expenditures dropped by \$53 million to \$1.8 billion in August, but they were 22 percent higher than those of a year ago. Private nonresidential and public utility construction rose more than seasonally, but the increase in farm construction was less than seasonal. Outlays for industrial buildings showed the first year-to-year gain since December 1957. Public construction remained unchanged from the July level of \$1.4 billion and was 9 percent above August last year.

Demand for Credit Continues Strong

Consumers and business greatly increased their spending and demand for credit with the upsurge in economic activity after mid-1958. Although the major sectors within the economy have shared in this recovery, there have been differences in the timing and size of the increases. According to the Federal Reserve's quarterly flow of funds accounts, funds borrowed in credit markets reached an estimated total of \$25.0 billion in the first 6 months of 1959, compared with \$16.4 billion during the comparable period a year earlier. Consumer borrowing (including mortgages) accounted for 53 percent of the increase over a year-earlier, while business and financial institutions were responsible for 29 and 19 percent, respectively. Total Government borrowing changed little but that of foreign countries decreased.

Loan activity of the commercial banking system since late 1958 has reflected the rise in the demand for credit. Commercial bank loans averaged \$100.4 billion in the first half of 1959, up \$7 billion from the same period in 1958. In July these loans reached \$105.9 billion, compared with \$93.6 billion in July 1958.

The strength of residential construction was reflected in part by a \$1.1 billion rise in outstanding real estate loans at member commercial banks between January and June 1959. The sharp increase in automobile sales along with a substantial rise in other consumer durables, resulted in an increase to \$13.9 billion of installment credit held by commercial banks in June 1959 compared with \$12.5 billion a year earlier.

The advance in business loans lagged behind consumer loans and did not show a material increase until the second quarter of 1959. In the early part of the year, business firms were able to increase plant and equipment expenditures and accumulate inventories without extensive resort to commercial bank funds because of the large volume of new security issues sold in 1957 and 1958, low capital expenditures during the recession, and increased internal

funds from the higher levels of corporation profits in late 1958 and early 1959. In the April-June quarter, outstanding business loans of weekly reporting banks increased nearly a billion dollars. A sizable portion of these loans was made to metals manufacturers in response to the inventory additions before the steel strike.

Commercial banks moderately increased their holdings of State and local securities. After a considerable rise in holdings of U. S. Government securities in 1958, commercial banks reduced their investments at the beginning of 1959 to satisfy the demand for loans. The recent rise in the demand for funds and a somewhat more restrictive credit policy has resulted in a gradual tightening of the money market and a general upward movement in rates of interest. In September the rediscount rate was raised to 4 percent, the fifth increase since the low of 1-3/4 percent in May 1958.

By early August, most interest rates approximated their postwar peaks. These rates have risen irregularly over the maturity range, with yields on short term securities jumping much more sharply than those on longer term securities. The greatest increase occurred on U. S. Government 9 to 12 month issues. Rates on these rose from .98 percent in June 1958 to 4.25 percent on August 1, 1959 compared with a rise in the average yield on 10-year Government bonds of 0.90 percentage points. During a corresponding period, other types of credit instruments showed a similar pattern. Bankers' 90 day acceptances rose from 1.13 percent to 3.50 percent on August 1, while yields on the highest grade corporate bonds climbed from 3.57 percent to 4.45 percent. Interest rates on short-term securities usually show the most marked increase in the recovery phase of the business cycle.

Industrial Output and Employment

Industrial Production Declines Further in August

The upsurge in industrial production during the first half of 1959 was reversed with the onset of the steel strike in mid-July. According to the Federal Reserve Board, the seasonally adjusted index of industrial production for August dropped 4 points to 149 percent of its 1947-49 average. This compares with June's post recession high when the index reached 155. With steel production reduced to only 12 percent of capacity during the entire month of August, output in the primary metals group dropped by 41 percent (table 2). Curtailed steel production reduced output in the related coke, coal and ore mining industries, while copper production dropped because of a strike in that industry. In August, the index of mineral production fell to 119, compared with 120 in July.

The strike-bound steel industry had relatively small, if any, effect on the automobile industry in August because of the large inventory holdings and

Table 2.--Indexes of industrial production, seasonally adjusted, August 1958 and June, July and August 1959 with percentage change

Item	1958	1959			Percentage
	August	June	July	August	change
	1947-49 =100	1947-49 =100	1947-49 =100	1947-49 =100	Aug. 1959 from Aug. 1958
Industrial production, total	136	155	153	149	9.6
Manufactures	138	158	157	152	10.1
Durables	144	172	168	159	10.4
Primary metals	109	150	108	64	-41.3
Metal fabricating	156	184	186	183	17.3
Fabricated metal products	132	150	150	144	9.1
Machinery	147	178	180	179	21.8
Transportation equipment	186	216	218	215	15.6
Autos, trucks, and parts	96	139	142	135	40.6
Nondurables	133	144	146	146	9.8
Textile and apparel	108	123	126	125	15.7
Rubber and leather products	116	131	142	142	22.4
Paper and printing	150	159	164	164	9.3
Chemical and petroleum products	174	193	191	190	9.2
Foods, beverages, and tobacco	116	119	118	119	2.6
Minerals	120	125	120	119	-.8

Federal Reserve Board.

reduced steel use resulting from the model changeovers. The usual shutdowns for model changover reduced output of automobiles sharply in August, but the index of auto production was 40 percent above that of August 1958. Among the nondurable goods industries, output was unchanged between July and August.

Drop in Employment Reflects Steel Strike

The number of civilian job holders totaled 67.2 million in August, about 350,000 less than July. The steel strike and the model changeover in the auto industry were the most important factors affecting the job situation in August.

Table 3.--Employees on payrolls of nonagricultural establishments,
seasonally adjusted, August 1958 and June, July and
August 1959, with percentage change

Industry	1958	1959			Percentage change August 1959 from August 1958
	August	June	July	August	
	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Percent
Nonagricultural employment, total	50,552	52,407	52,585	52,047	3.0
Manufacturing	15,326	16,527	16,586	16,051	4.7
Durables:	8,601	9,573	9,638	9,112	5.9
Primary metal industries	1,078	1,291	1,277	848	-21.3
Fabricated metal products	1,029	1,106	1,109	1,071	4.1
Machinery	2,581	2,874	2,928	2,941	13.9
Transportation equipment	1,504	1,704	1,692	1,616	7.4
Nondurables:	6,725	6,954	6,948	6,939	3.2
Food and kindred products	1,470	1,494	1,463	1,463	-.5
Textile-mill and apparel products	2,108	2,221	2,222	2,211	4.9
Paper and printing	1,402	1,428	1,438	1,440	2.7
Rubber and leather products	558	632	645	639	6.9
Nonmanufacturing	35,226	35,880	35,999	35,996	2.2
Mining	705	709	712	619	-12.2
Contract construction	2,716	2,799	2,809	2,832	4.3
Transportation and public utilities	3,869	3,928	3,922	3,897	.7
Wholesale and retail trade	11,168	11,425	11,459	11,494	2.9
Government	7,975	8,076	8,099	8,155	2.3

In the steel industry 500,000 were on strike and an additional 125,000 were laid off in activities closely related to the production of steel. In addition, about 80,000 auto workers were laid off during August for model change-over. Elsewhere very few persons had been laid off as a result of shortages of steel. Employment among nondurable goods firms held steady in August. Among the nonmanufacturing groups, mining and transportation employment was adversely effected by the steel strike. The changes in the other nonmanufacturing groups were little more than seasonal between July and August (Table 3).

The work week in manufacturing rose seasonally in August but average weekly earnings declined more than a dollar to \$88.70. The lower average weekly earnings is due to a smaller number of steel and auto workers whose wages are above average. Unemployment declined seasonally in August by 300,000 to 3.4 million. This change between July and August is less than usual and resulted in an increase in the seasonally adjusted rate of unemployment to 5.5 percent in August, compared with 5.1 percent in July. For several months prior to the steel strike, the rate of unemployment had averaged around 5 percent compared with 4-4½ percent in 1955-57.

Agricultural Prices

Down a Little

Farm product prices averaged a little lower in August than in July. The index of prices received by farmers at 239 (1910-14=100) was down a point from July and was nearly 4 percent below a year earlier. Between July and August most of the price changes were small. Prices of hogs which declined sharply between June and July increased a little to an average of \$14.00 per cwt. but there were offsetting declines in beef cattle, calves and sheep to leave the meat animal index unchanged. Wholesale milk prices increased and in August the dairy products index was 1 percent above a year earlier. Potato prices declined sharply over the past month but were still about a fifth above a year ago. Prices of cotton and oil-bearing crops also declined.

Parity Ratio Down

The index of prices paid by farmers for commodities and services, including interest, taxes and farm wage rates, in August was down 1 point from July but was up 1 percent from a year earlier. Prices of production items were unchanged between July and August but increases in the cost of gasoline and other motor supplies were offset by reductions in prices paid for feeder and replacement livestock and feed. The parity ratio in mid-August at 80 was down 1 point from a month earlier and the lowest level since March 1957.

FARM INCOME

Farmers' realized net income in the first three quarters of 1959 is estimated at an annual rate of approximately \$11½ billion. This was 1.6 billion or 12 percent lower than in the first three quarters of 1958, but a half billion or 4½ percent above 1957. The decline so far this year resulted from lower average prices, increased expenses, and discontinuance of Acreage Reserve payments. Much of the effect on income of smaller crops of wheat and small feed grains this year was concentrated in the third quarter. The much larger cotton and corn crops will be marketed heavily in the fourth quarter.

Cash receipts from farm marketings during the first 8 months of 1959 totaled \$19.1 billion, down about 2 percent from the same period in 1958. Prices received by farmers averaged 3 percent lower in the 1959 period but the physical volume of marketings was slightly larger. January-August receipts from livestock and products in 1959 were about \$11.9 billion, 4 percent below the same period in 1958. Lower prices for hogs, broilers, and eggs, more than offset larger marketings of hogs, broilers, and eggs, and higher prices for cattle. Cash receipts from crops were about \$7.2 billion in the first 8 months of 1959, little changed from the same period in 1958. Substantial increases in receipts from corn, oranges, and tobacco were offset by a sharp drop in receipts from sorghum grain and wheat.

Cash receipts for August 1959 are tentatively estimated at \$2.6 billion, 8 percent below a year earlier. Receipts from livestock and products were about \$1.5 billion, down 6 percent from August 1958. Receipts from crops of \$1.1 billion were down 10 percent. Smaller receipts from hogs and poultry and eggs accounted for the decline in livestock and products, while smaller marketings of wheat more than accounted for the decline in cash receipts from crops. Receipts from tobacco also were down, but receipts from cattle, cotton, and vegetables were up.

LIVESTOCK AND MEAT

Prices of hogs advanced moderately in August, following the sharp drop in July, but have again turned downward. The seasonal decline this fall is expected to be less than usual. Prices will be well below those of the past 3 years but will average somewhat higher than in late 1955.

The expansion in hog production which began last fall appears to be slowing down and may end in 1960. This year's spring crop was up 12 percent. Last June, hog producers expected to increase their 1959 fall farrowings 8 percent but the September Pig Crop Report for 10 Corn Belt States indicates that the increase in these States may be smaller than indicated in June. Pro-

ducers in the 10 States also reported intentions to farrow 4 percent fewer sows in December-February than a year earlier when these 3 months accounted for an unusually high proportion of the total spring crop.

Cattle numbers will set a new high mark this year. Around 102 million head probably will be on farms January 1 and some further expansion is likely for several years. So far, the rapid growth in numbers has meant smaller slaughter supplies and higher prices. As the build-up progresses and the rate of expansion eases off, increases in marketings and lower prices are probable.

On July 1, the number of cattle and calves on feed in 13 States was record high for that date, 10 percent above July 1958. Since then marketings have been close to last year's rate but new placements have been up. This could result in a backlog of heavy well-finished cattle this fall. However, price adjustments are expected to be moderate as supplies of grass cattle will continue at a reduced level. Stocker and feeder cattle prices are expected to show some seasonal weakness this fall. The prospect of a slowly declining price level for cattle will discourage feedlot operators in bidding for replacement stocks.

Prospects for favorable returns from lamb feeding are somewhat brighter this fall than last. Feeder lamb prices are lower than a year ago. In addition, lambs are coming off Western ranges at lighter weights this fall, providing considerably more flexibility in feeding operations. Early in September feeder lamb prices at Omaha were about \$19.00 per 100 pounds and Choice slaughter lambs \$20.50. Last fall feeder prices were often as high or higher than slaughter lambs. Fed lamb prices are currently below a year ago and may show some seasonal decline this fall. However, prices are not expected to drop sharply late this fall as they did last year, and for this winter may average as high or a little higher than last winter.

DAIRY PRODUCTS

Milk production in August in the United States was below that of a year earlier although not as much below as in June and July. Production of butter and cheese in some recent weeks showed smaller declines from a year earlier than anytime since June. Volume of sales to CCC dropped further seasonally, in terms of milk equivalent. Wholesale prices for butter and fluid cream have increased in the past month but prices for other items have shown little, if any, change.

Production of milk on farms, in terms of annual rate, dropped to the lowest level in 4 years this past summer, apparently reflecting high temperatures and unfavorable pastures in important dairy areas. Some increase in this rate was noticeable by September 1 though output apparently was still below a year earlier. The number of milk cows is declining again this year, though not as much as in 1958. As in other recent years, however, the higher

rate of output per cow has been largely offsetting the lower cow numbers, except for June, July and August. A resumption of the early 1959 annual rate of production per cow is likely this fall.

With larger consumer incomes, civilian purchases per person of fluid whole milk and ice cream have been above a year earlier. A number of the fluid skim milk items also are showing significant increases. On the other hand, civilian purchases of butter and evaporated milk are showing a slight further decline.

With less milk produced in recent months and larger quantities used in fluid whole form and for ice cream, the quantity available for manufactured dairy products has been reduced. As usual, in circumstances of this kind, the decline was greater for butter than for other products.

Prices to farmers for milk and butterfat have risen a trifle above a year earlier. During July and August, the milk equivalent of butter and cheese sold to CCC was about one-third that of a year earlier. Sales of nonfat also have been below last year's level.

POULTRY AND EGGS

Egg production is now near the seasonal low point, though slightly above a year earlier. The laying flock is slightly smaller than it was at this time last year, but the rate of lay per bird is up, and monthly egg production may continue to exceed 1958 in the remaining months of this year. This September 1, the number of potential layers on farms was 5 percent below last September 1, which will result in further reductions, percentagewise, in the size of the laying flock by January 1. Soon after the first of the year numbers of layers are likely to be below a year earlier by enough to about offset the usual year-to-year increases in rate of lay. Egg production in early 1960 probably will be below 1959.

Egg prices by early September had recovered considerably from the long-time lows recorded in April, May, and early June, but east of the Rocky Mountains prices continued sharply below 1958. At some Pacific Coast points, prices were somewhat closer to 1958. At 30.9 cents per dozen in mid-August, the U. S. average was 6.0 cents above the springtime low, but 6.8 cents below August 1958. Since mid-August, the trend of most egg prices has been seasonally upward. A factor in the recent rise was announcement of a \$1 million export program of eggs for Spain. The USDA purchase of egg solids (dried egg) for the School Lunch Program was discontinued after several weeks of operation on a reduced scale. The purchase of frozen egg was discontinued earlier.

Broiler placements since early May have been fewer than last year, but the cut has not been fully reflected in slaughter statistics; recent prices have been near the lows of the year to date. At 15.7 cents per pound in mid-

August, the U. S. average broiler price was 1.9 cents below August 1958. Prices in the following weeks declined from mid-August, reflecting increasing supplies of competing red meats, and the passing of peak seasonal demand for broilers.

Turkey supplies from the current record crop are increasing seasonally. The 82 million turkeys being raised this year are 5 percent more than last year's production. A Government purchase program which will divert some of the crop to the School Lunch Program has been announced. Last year, $2\frac{1}{2}$ percent of the crop was bought under a similar program. Current prices average lower than last year; higher wholesale prices for heavy toms do not fully offset the lower prices for other classes of turkeys.

FATS AND OILS

Record supplies of edible fats, oils, and oilseeds will be available in the 1959-60 marketing year which begins October 1. Early September conditions indicate the supplies of edible fats, oils and oilseeds in 1959-60 will exceed the peak 13.0 billion pounds (oil equivalent) estimated for the year just ending by about 10 percent. The prospective 27 percent rise in cottonseed oil output will contribute a large part of the increase although lard production is expected to be up around 11 percent. Soybean supplies probably will be about as large as last year, as the increase in prospective carryover stocks nearly offsets the slight decline in output.

The quantity of food fats available would permit substantially greater exports in 1959-60 than the record 3.3 billion pounds estimated for 1958-59. The 1959-60 outlook is for another banner year for U. S. exports of soybeans, edible oils and lard. Soybean exports are expected to climb to a new high somewhat above the record 110 million bushels in 1958-59. Exports of soybean and cottonseed oil also will be strong and probably won't differ greatly from the record quantity shipped in 1958-59. Major importing areas, such as Western Europe and Japan will continue to need to import large quantities of edible oils and oilseeds as they probably will not be able to obtain increased supplies from non-U. S. sources. Lard exports in 1959-60 are expected to be somewhat higher than a year earlier as lower U. S. prices enhance our competitive position in the world markets.

Farm prices of soybeans during the heavy harvesting season probably will average somewhat below the \$1.93 per bushel received last fall and around the national support price of \$1.85 per bushel. If crusher and export demand turns out as strong as now expected soybean prices during 1959-60 may show a fairly good seasonal rise as the trade will need to buy old-crop beans from CCC later in the marketing year in order to satisfy their requirements.

Prices to farmers for 1959 crop cottonseed are expected to average about the 1959 CCC purchase price of \$34 per ton, basis grade (100) but less than last season's average of \$43.80.

The 1959-60 flaxseed outlook has changed within two months from a surplus position to one of relative tightness: As a result flaxseed prices (No. 1 spot, Minneapolis) moved up from \$2.95 per bushel on July 1, the beginning of the new marketing year, to \$3.45 in early September. Production of 1959 crop flaxseed is estimated at 24 million bushels, more than a third below last year and the smallest crop since 1946. The reduction reflects smaller acreage and low yields.

A flaxseed crop this size would be less than domestic requirements. While carryover stocks July 1 were substantial recent strong export demand has reduced CCC and commercial stocks to a point where the situation has become relatively tight. With Canada's crop down somewhat and world demand strong, U. S. prices to farmers will average well above the 1959 support price of \$2.38 per bushel and the \$2.69 received last year.

FEED

Growing conditions continued generally favorable for feed crops over most of the United States into early September, and another record feed grain supply is in prospect for 1959-60. The 166-million-ton crop of feed grains indicated on September 1 would be 5 percent above last year's record and more than a fourth above the 1953-57 average. The carryover of feed grains into 1959-60 is expected to be up around 15 percent over the 59 million tons in 1958-59 even though total disappearance has been at a record level. Domestic use in 1958-59 is estimated to be about 11 percent over 1957-58 and exports about a fourth higher.

The total 1959-60 supply of feed concentrates, including feed grains, byproduct feeds and wheat and rye to be fed to livestock is estimated at 263 million tons, 7 percent over 1958-59. Although domestic use and exports are expected to continue heavy in 1959-60, some further increase in the total feed grain carryover is in prospect at the close of the 1959-60 season. Larger stocks of corn are in prospect, but a substantial reduction in oats stocks and some decline in barley stocks appears likely.

The 1959-60 corn supply is now estimated at 5,933 million bushels, 662 million more than in 1958-59. The oats supply, on the other hand, is down 16 percent and the barley supply 5 percent. The sorghum grain supply is expected to be up 15 percent to 1,066 million bushels, exceeding either oats or barley in total tonnage for the first time.

The 1959-60 hay supply is 8 percent smaller than last year, but is above average in relation to the number of livestock to be fed. Hay crops and pastures

have been average or better over much of the country, except in areas of the Northern Great Plains and areas of the Northeast and West where drought has curtailed growth.

Feed grain prices have been a little lower this summer than last, reflecting prospects for another big harvest and a lower level of prices of livestock and livestock products. Oat prices have been higher than normal relative to other feed grains this summer because of the short crop, and probably will continue so during the 1959-60 marketing year. In mid-August prices received for feed grain and prices paid by farmers for all feed purchased averaged 2 to 3 percent lower than a year earlier. Prices of corn and sorghum grain are expected to decline seasonally this fall, with sorghum grain averaging lower relative to corn than in 1958-59.

Wholesale prices of high-protein feeds declined from July to August and averaged about 11 percent lower in August than a year earlier. The greatest decline was in meat meal and tankage prices, although soybean meal and cottonseed meal also were somewhat lower. The price of linseed meal, on the other hand, is about a fourth higher.

WHEAT

Wheat prices generally are not as much below the effective support as is usual at this time of the year and some types are above the support. The relative strength reflects extensive withholding of wheat from market. Through July, 108 million bushels of 1959-crop wheat had been placed under the price support programs. This is about the same as the 107 million bushels of the much larger 1958 crop placed under support by July 25, 1958. Most of the 1959-crop wheat under support was in Kansas, Texas and Oklahoma, where the harvest was 10 days to two weeks ahead of a year earlier.

On September 17, the price per bushel of No. 2 Hard Red Winter, ordinary protein, at Kansas City at \$1.96 was 6 cents under the effective loan (announced loan of \$2.11 less 9 cents for storage), while prices of hard wheat proteins (13 percent) are above the effective loan. On the same date, the price of No. 2 Soft Red Winter at St. Louis at \$1.95 was 7 cents below the effective support level; No. 1 Soft White at Portland at \$1.94 was at the effective support level, and the price of No. 1 Dark Northern Spring at Minneapolis at \$2.12 was 2 cents above the effective support level, reflecting the reduced spring wheat crop.

The total wheat supply for the marketing year which began July 1, 1959, was estimated at 2,401 million bushels, a record high. It exceeded the previous peak of last year by 50 million bushels, or 2 percent, and 1957-58 by 530 million bushels, or 28 percent. A 45 percent increase in the carryover from last year more than offsets the reduction in the crop.

Supply this year consists of the carryover July 1, 1959 of 1,277 million bushels, the crop estimated as of September 1 at 1,116 million and an allowance for imports of about 8 million bushels, mostly of feeding quality wheat.

Domestic disappearance in 1959-60 is estimated at about 626 million bushels, slightly below last year, leaving about 1,775 million bushels for export during the marketing year and carryover July 1, 1960. Assuming exports of about 410 million bushels, which is moderately smaller than the 443 million exported in 1958-59, the carryover July 1, 1960 would total about 1,365 million bushels. This compares with 1,277 million bushels this year and 881 million on July 1, 1958.

FRUIT

Grower prices for most deciduous fruits on the fresh markets during late summer averaged somewhat under a year earlier because of large production. This price relationship probably will continue during early fall. The increased supplies of California Valencia oranges this summer also have brought lower auction prices than in 1958, when supplies were light and prices were unusually high. Stimulated by hot weather demand, auction prices for lemons increased during August and in early September averaged considerably above a year earlier.

Supplies of pears, grapes and cranberries are expected to be somewhat larger this fall than a year earlier. But supplies of apples are expected to be smaller. Supplies of each fruit are always seasonally large in late summer and early fall, when harvest runs heavy. Although supplies of oranges and grapefruit were seasonally light during summer, they will increase during early fall as harvest of the new crops gets underway in Florida and other States. As of early September, prospects for the new citrus crops were generally favorable. The first official forecast of the 1959-60 citrus crop will be made in October.

Although growing conditions for 1959-crop deciduous fruits were generally favorable during August and early September, hot weather in some areas hastened maturity and reduced prospective production somewhat. All deciduous fruits remaining for harvest showed some decline in prospects during August. As of September 1, prospects were for a record 1959 crop of cranberries, 8 percent larger than the 1958 crop. Among deciduous crops marketed heavily during fall, production of pears is up 8 percent over 1958, and of grapes up 2 percent, but that of apples is down 7 percent. Total production of deciduous fruits in 1959 is expected to be about 2 percent larger than in 1958 and 6 percent above the 1948-57 average. Tree nut production is expected to total 2 percent over 1958 and 5 percent above average.

Available figures for 1959 packs of processed deciduous fruits in California, the first reported, indicate for this State a large increase in canned apricots over the light 1958 pack, a substantial increase in output of brined cherries, but a considerable drop in canned sweet cherries. Production of dried prunes is expected to be about $1\frac{1}{2}$ times the light tonnage in 1958. Among processed citrus, Florida packers' stocks of most canned single-strength

citrus juices on September 5 were considerably larger than a year earlier. Stocks of canned orange juice were up only a little. Stocks of frozen orange concentrate from the record 1958-59 pack were up sharply. With retail prices of the latter a little lower than last summer, movement has continued good.

COMMERCIAL VEGETABLES

For Fresh Market

Supplies of vegetables for fresh market sale this fall are expected to be materially smaller than both those of a year earlier and the 1949-57 average. Early estimates of crops that usually account for about four-fifths of total fall tonnage indicate an aggregate production of these crops about an eighth smaller than both last year and average. Of the crops for which estimates are available in September, materially smaller crops of early fall cabbage, celery, lettuce and tomatoes, and of early and late fall carrots are in prospect this year than last. Slightly to moderately smaller crops are expected for early fall snap beans, cauliflower and spinach, and late fall celery. Production of early fall cucumbers promises to be slightly larger than last year. If supplies of fresh market vegetables are about in line with early indications, prices received by growers are likely to average somewhat above the levels of last fall.

For Processing

Carryover stocks of canned vegetables at the beginning of the current marketing season were somewhat larger than a year earlier, and production of a number of vegetables for processing is expected to be larger than last year. Prospective production of sweet corn is up 24 percent, and snap beans up 6 percent. Indications are that the production of spinach for processing will also be substantially larger than the small crop of 1958.

However, larger beginning stocks and increased production of some crops are expected to be about offset by a 5 percent reduction in output of green peas, a 14 percent cut in tonnage of tomatoes, and probably a substantial cut in cucumbers for pickles. Thus, total supplies of canned vegetables in the current marketing season are likely to be about the same as the heavy supplies of last season. Both the pack of frozen vegetables and total supply for the season are expected to be at least moderately above last season and substantially above average.

POTATOES AND SWEETPOTATOES

Supplies of potatoes during fall and winter are expected to be materially smaller than the burdensome supplies of a year earlier. There will be less overlap of marketings from the slightly smaller late summer crop, and indications are that the fall crop will be down from last year. Prospective

production for fall harvest, at 170 million hundredweight is 7 percent smaller than last year, but about one-tenth above the 1949-57 average. Indicated production is down 8 percent from a year earlier in the Eastern States, down 6 percent in the Central and 7 percent in the Western States. Despite the cutback from last year the 1959 fall crop is about a tenth above the 1949-57 average and somewhat larger than normal trade needs. For the week ended September 12, f.o.b. shipping point prices of U. S. No. 1 Russets, washed, at Yakima Valley, Washington, averaged \$2.28 per hundredweight, about 40 cents above the low level of a year earlier. F.o.b. prices at New York shipping points averaged about 60 cents per hundredweight above a year ago.

Supplies of sweetpotatoes in the 1959-60 marketing season promise to be a little larger than those of last season. In the week ended September 12, prices of U. S. No. 1, uncured, Puerto Rican type sweetpotatoes at Southwest Louisiana shipping points averaged \$2.38 per 50-pound crate compared with \$2.49 a year ago. Prices will be at their seasonal low during the next two months.

DRY BEANS AND PEAS

Early September reports indicate a 1959 dry beans crop of 19.1 million hundredweight. This is slightly above last year, and 16 percent above the 1949-57 average. Prospective production of dry peas at 4.2 million hundredweight is about 70 percent larger than last years' small crop and almost a third above average.

If present production prospects materialize, supplies of dry beans in the 1959-60 marketing season will be slightly larger than those of the current season. Price support rates are substantially lower, and barring another season of strong export demand, prices received by growers for dry beans are expected to average substantially below those of the previous season. The larger supplies of dry field peas are expected to move at prices materially below those of the 1958-59 season.

COTTON

Market prices for cotton declined during the first half of September. On September 17 the average 14 spot market price for Middling 1-inch cotton was 31.77 cents per pound. The average price in August was 31.95 cents per pound and on September 17, 1958 the average 14 spot market price was 34.65 cents. The average price received by farmers in mid-August for upland cotton was 33.28 cents per pound, .06 cents above a year earlier but below the mid-July price of 34.05 cents per pound.

The supply of cotton in the 1959-60 season is estimated at about 23.7 million bales, 3.4 million above 1958-59 and the largest since 1956-57. The increase in supply is being caused primarily by an increase in the crop.

The 1959 crop is estimated at 14.6 million running bales (14.7 million bales at 500 pounds), the largest crop since 1953 and 3.2 million above a year earlier. Ginnings through September 1 were a little larger than the 1.0 million bales, ginned through September 1, 1958.

Total disappearance may increase as much as the increase in the supply. Total domestic mill consumption during the 1959-60 season is expected to be considerably higher than during 1958-59. Exports during 1959-60 also are expected to be well above the 2.8 million for 1958-59. Consumption during August totaled 712,000 bales and the daily average rate was 35,600 bales. These figures compare with about 638,767 and 31,938 per day, respectively, during August 1958.

WOOL

The 1959-60 Australian wool marketing season began with auctions in Brisbane and Melbourne on August 24, followed by auctions the week of August 31 in Sidney and Adelaide. The opening prices were 15 to 20 percent above those when auctions closed for the 1958-59 season in June. These prices held relatively steady during the first week, and weakened only slightly during the second week of auctions. These opening prices were slightly higher than the 10 percent increase expected by the wool trade. Demand at the opening auctions was good as buyers from Japan and Europe bought most of the offerings. The opening of the Union of South Africa markets during the first week of September was firm with prices averaging 7.5 to 10 percent above the close of last season.

Most of the major world markets have been inactive, waiting for the opening of the Australian auctions. The available stocks in most of the exporting countries are small or inadequate for active trading until the 1959-60 clip moves to market. In the meantime, most buyers and manufacturers have their orders covered with available supplies and are playing a waiting game to determine if the prices will hold firm in the Australian auctions. If the Australian auctions hold firm, prices in other world markets can be expected to advance to relatively higher levels than in the past few months.

Domestic wool prices at Boston held steady from mid-July through the first of September with only nominal amounts of wool moving. For the week ending September 11 prices of territory and fleece wools, clean basis, were 15 to 24 cents per pound or 13 to 27 percent above September 1958.

The average price received by domestic growers for shorn wool during August 1959 was 44.3 cents per pound, grease basis, compared with 44.1 cents in July 1959. This was 17 percent higher than the price of 37.9 cents received in August 1958.

Parallel with the increased consumption of wool on a worldwide basis has been the increase in consumption in the United States. During January-July 1959, total domestic mill consumption was 255.2 million pounds, scoured basis, 43 percent more than the same period a year ago.

Mill use of apparel wool during January-July 1959 totaled 159.2 million pounds, scoured basis, 30 percent more than a year ago. Total mill consumption of carpet wool continued at the highest levels since 1950. During the first 7 months of this year, 96.0 million pounds, scoured basis, 70 percent more than the same period a year ago, were used.

Reflecting the greatly increased rate of mill use, total imports for consumption during January-July 1959 were 192.2 million pounds, clean content, or about double those of the same period a year ago. Dutiable imports totaled 66.0 million pounds compared to 39.5 million pounds last year; duty-free imports totaled 126.2 million pounds compared to 57.0 million pounds.

TOBACCO

About half of the 1959 flue-cured crop was marketed by mid-September. The marketing season is finished in Georgia-Florida and nearing the end in the South Carolina-Border North Carolina Belt. In the Georgia-Florida markets, prices averaged a little above the 1958 season average and higher than in any previous season. In the Border Belt through mid-September, prices averaged 4 percent above 1958 and also set a new record. Auctions are now in full swing in the Eastern North Carolina Belt and in the Old and Middle Belts in North Carolina and Virginia. Thus far, prices except those in the Old Belt have averaged above those in the comparable period of last season. For all Belts combined through mid-September, the price average was 59.2 cents per pound compared with 57.2 cents per pound in the comparable period of 1958. Placements under Government loan through mid-September totaled about 20 million pounds, about 3 percent of market deliveries. This is considerably less than during the comparable period of 1958 when the quantity going under loan amounted to 11 percent of marketings.

The 1959 flue-cured crop estimated as of September 1 at 1,136 million pounds is 5 percent larger than last year's harvestings. Carryover on July 1 at 2,210 million pounds was 4 percent below a year earlier. The 1959-60 total supply-carryover plus this year's crop--is one percent below 1958-59.

Cigarette output during the first 7 months of 1959 was 4.7 percent ahead of the same period of 1958. Cigar and cigarillo output ran 9.6 percent ahead of January-July 1958. Manufacture of smoking tobacco for pipes and roll-your-own cigarettes during January-July 1959 fell off 2.7 percent and output of snuff was down 1.2 percent from a year earlier; the manufacture of chewing declined a little less than 1 percent.

Exports of unmanufactured tobacco during January-July 1959 totaled 176 million pounds (export weight)--a tenth lower than in the same months of 1958. Exports of tobacco will increase seasonally during the months ahead as large volume shipments are made from the new crop of flue-cured, the major export tobacco.

As of September 1, burley production was indicated to be 499 million pounds, 7 percent above last year's crop. Carryover of burley on October 1 probably will be about 4 percent lower than a year ago. Total supply of burley for the 1959-60 marketing year is estimated at about one percent below 1958-59.

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